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Bulletin of Italian Finance

Spotlight

1. The growing interest in ESG

Greta Thunberg's many young Italian supporters might be surprised by the increasing focus on environmental, governance and social issues (ESG) by large sections of the country's financial community. Italy's bankers offer evidence of growing efforts to green the national economy. In a statement on 3 April, ABI (the Italian banking association) reported that a recent survey found that banks representing just over three-quarters of the industry's total assets examine what client-businesses are doing to manage climate risks. And banks pay almost as much attention to how client-businesses deal with environmental risks other than those of climate change. Moreover, evaluating what these risks mean in terms of their own exposure, with reference to EU sustainability principles, is a priority for banks that make up about one-half of Italian banking. ABI drew attention to its members' dual role both in being required to publish non-financial declarations regarding their own activities and in being users or beneficiaries of ESG reporting by client-businesses. On 1 April, Focus Risparmio, a periodical published by Assogestioni (the asset managers' association) dedicated a special dossier to ESG. Assogestioni has established a sustainability committee to promote the integration of ESG principles in investment decisions. For Lorenzo Alfieri, Assogestioni's vice-president who chairs this committee, sustainability is “a serious commitmentto future generations” and asset managers are “aware of their systemic role”. Increasing oversight of firms in which they are invested as shareholders brings “active involvement” in pushing those firms towards sustainability. Manuela Mazzoleni, Assogestioni's head of sustainability, drew attention to how financial advisers will play a crucial role in greening investment. Communication with savers will need a new language to explain ESG risks. That the sustainable finance disclosure regulation (SFDR) is delivering a major stimulus was also underlined by Assoreti (the association of investment advisory firms with networks of tied agents) in a webinar on 7 April organised by its training and research arm. Among the highlights of presentations was the low level of savers' knowledge about socially responsible investment products coupled to a high level of demand for information about them. Chairing the webinar, Assoreti's Barbara La Marra underlined the need for financial advisers to educate their clients, a point also made by Sabrina Scarito of LUISS university, who drew attention to how last year's “extreme scenario” revealed savers' high level of confidence in their financial advisers. On the question of risk, Rocco Ciciretti of Rome's Tor

Vergata university referred to the encouraging results of a recent study. Good news for savers and for the environment: funds with high ESG content are more resilient and less vulnerable to shocks than those with low ESG content.

2. Premiums take a small(ish) Covid hit

Insurers in Italy haven't been unscathed by the Covid-19 pandemic. However, most of the dramatic drop in premium income recorded during the early months of the health crisis was later clawed back, with last year's overall premium income of €151.3 billion only 5.0 per cent lower than in 2019. Reporting the figures on 29 March, ANIA (the insurers' association) underlined how, with Italy in total lockdown during in spring 2020, premium income collapsed as customers were unable to reach insurance agencies and access to offices was strictly limited. Life premiums were a startling 40 per cent lower between March and May 2020 than they were in the same period of the previous year but, by reaching €113.3 billion, ended down just 5.8 per cent at year-end.

ANIA describes the outcome as “less alarming than what was threatened during the first months of the pandemic”. While pure life premiums slipped by 10.1 per cent on 2019 to €66.8 billion, unit-linked life premiums held up and were unchanged at €40.6 billion. Less affected by lockdown, non-life premiums amounted to €38.0 billion, a reduction of just 2.3 per cent on 2019. With €134.8 billion of premium income last year, Italian and non-EU firms accounted for about 89 per cent of the total, leaving EU insurers, operating either through stable representation (€7.5 billion) or through freedom of services (€9.0 billion), with around 11 per cent of the market. A figure in ANIA's note shows that Italy's insurance industry escaped the worst: the ratio of total premium income to GDP was 7.8 per cent in 2019, while last year it was 8.2 per cent.

3. AIPB looks into a crystal ball

What worries clients? What do they want? How do the see the present and the future? What are their priorities? How do they rate their financial advisers? Such were some of the questions that AIPB (the association of private bankers) commissioned IPSOS (a market research firm) to ask families and businessmen who use private banking services. The answers were given in a webinar on 30 March. Not surprisingly, health is families' main concern while businessmen are more worried about safeguarding their firms and incomes. Reassuring for private bankers is the fact that almost three-quarters of the survey's respondents are satisfied with the services they receive, against two-thirds at the time of the sovereign debt crisis ten years ago. On the question of current investment objectives, businessmen aim mainly for resources for their firms while families look to preserve assets. After enquiring into ethics and ESG, the survey ended by asking about democracy. More than one-half of respondents declared themselves “disillusioned with democracy”.

4. Private capital seeks a vanguard role

Italy lags behind its large European neighbours in terms of private equity investment, but that means there's scope for growth. Figures in a new booklet from AIFI (the private equity, venture capital and private debt association) show that while German and French private equity investment between 2012 and 2019 amounted to €71 billion and €96 billion respectively, in Italy the figure was €45 billion. The booklet celebrates AIFI's 35 years of activity in promoting private capital in Italy and looks ahead to the next half decade, 2021 to 2025. In his introduction, Innocenzo Cipolletta, AIFI's chairman, writes about the great changes of the past 35 years and how, thanks also to the pandemic, the future promises many more. Keeping up with change requires business to equip itself with capital, both equity and debt, says Mr Cipolletta, who has used his chairmanship to boost knowledge of private capital in the business community. As well as providing details of how AIFI is structured and how it works, the booklet lays down a seven-point do-list for tackling the challenges of the future: (1) create the right legal and tax environment; (2) nurture investor trust; (3) boost funding from the market; (4) cultivate international relations: (5) follow sustainable investment strategies; (6) understand evolutionary trends: and (7) promote disinvestment channels.

In Brief

Assofondipensione urges tax reform. Giving evidence to a recent sitting of a parliamentary commission investigating income tax reforms, Assofondipensione (the association of occupational pension funds) urged that, rather than exempting taxation at the time of paying paying pension contributions and then taxing both during the investment period before retirement and on income received during retirement (ETT), Italy should adopt the widespread European model of complete tax exemption prior to retirement and tax only on pension income during retirement (EET). This would encourage higher levels of private pension take-up. A recent note from COVIP (the pensions regulator) shows that Assofondipensione's members, in which trade unions play a major role, have average costs of between 0.37 and 0.54 per cent.

Assogestioni's annual meeting. When Assogestioni (the asset manager's association) held its annual meeting on 31 March, Tommaso Corcos, its chairman, was able to report that despite the difficulties created by the pandemic, the association's members closed last year with a total of €2,421 billion of assets under management, and recorded a net inflow of €15 billion. A 54-page report provides statistical details and information about the association's activities.

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